



April 30, 2014

Plant Load Agreements – Greensboro District

Report Number MS-AR-14-003

BACKGROUND:

The U.S. Postal Service offers its commercial customers special arrangements called plant load agreements. Through these arrangements, the Postal Service agrees to pick up mail at a customer's plant and transport it directly to a Postal Service destination facility. In return, the customer agrees to provide sufficient volumes and revenues to offset transportation costs and yield net cost savings.

Plant loading bypasses handling at Postal Service facilities, which reduces processing time, staffing, and dock space requirements. Plant load agreements can be financially and operationally beneficial to the Postal Service and a productive way to foster positive relationships with its customers.

District staff and postmasters help initiate, monitor, and coordinate plant load agreements. Performance under these agreements should be monitored since conditions, such as mail volume and transportation routes, can change.

Our objective was to assess how effectively plant load agreements in the Greensboro District protect Postal Service revenues and costs. We selected this district because a Postal Service review found that it presented one of the greatest opportunities for cost savings. The district had 18 plant load agreements as of January 2014. In fiscal year (FY) 2013, these

18 agreements were associated with revenue of over \$153 million.

WHAT THE OIG FOUND:

The Greensboro District was not adequately approving or monitoring plant load agreements. Documents were missing, lacked signatures, and were not reviewed as required. These conditions occurred because the district did not have a system to monitor compliance with the agreement. During our audit the district began to implement several corrective actions, such as updating current plant load agreements and creating a plant load committee to review applications and address issues. Additional improvements are needed, however, to ensure the district complies with approval and monitoring related requirements in these agreements.

Until approval and monitoring improvements are implemented, the Postal Service risks incurring unnecessary operational costs. We estimate transportation costs of \$500,209 in FY 2014 as disbursements at risk.

WHAT THE OIG RECOMMENDED:

We recommended the district manager, Greensboro District, develop a system to ensure compliance with plant load agreements, particularly those related to approving and monitoring these agreements.